

Message Text

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ACTION EB-08

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FM AMEMBASSY MANILA

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AMEMBASSY CANBERRA

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CODE 11 ALERT 3

E.O. 11652: N/A

TAGS: ETRD, BEXP, AS, RP, US

SUBJECT: GOP PLANS TO CENTRALIZE IMPORTS OF RUMINANTS FOR
BREEDING AND PROCESSED BEEF

1. SUMMARY. PD 1297 DESIGNATES YULO/KING RANCH AS THE SOLE IMPORTER OF CATTLE AND GOAT BREEDING STOCK, AND BEEF (CHOICE CUTS AND BRISKETS). PD IS A NONTARIFF BARRIER IN OUR VIEW, AND WE ARE EXPRESSING OUR CONCERN TO MINISTER TANCO. WE WOULD APPRECIATE WASHINGTON DISCUSSING PROBLEM WITH AUSTRALIAN EMBASSY AND KING RANCH (U.S.), PARTICULARLY REGARDING POSSIBLE ANTI-TRUST IMPLICATIONS FOR LATTER. END SUMMARY.

2. PRES. MARCOS HAS SIGNED PRESIDENTIAL DECREE 1297 WHICH WOULD CENTRALIZE THE IMPORTATION OF CATTLE AND GOAT BREEDING STOCK AND BEEF. YULO/KING RANCH IS DESIGNATED AS SOLE IMPORTER. STATED PURPOSE OF THE PD IS TO HASTEN SELF-SUFFICIENCY IN BEEF PRODUCTION BY IMPROVING THE BREEDER BASE.

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3. LOUIS YULO, HEAD OF THE CANLUBANG SUGAR ESTATE AND KING RANCH/AUSTRALIA ARE DEVELOPING 40,000 HECTARES OF GOVERNMENT-LEASED PASTURE LAND. YULO IS APPARENTLY PROVIDING THE FINANCING. HOWEVER, IT IS WELL KNOWN THAT PRESIDENT MARCOS HAS MORE THAN A PASSING INTEREST IN THIS PROJECT. KING RANCH/AUSTRALIA AND PERHAPS KING RANCH/US ARE REPORTEDLY ONLY PROVIDING TECHNICAL ASSISTANCE. TO

DATE, ABOUT 3,000 HECTARES OF PASTURE LAND HAS BEEN IMPROVED. THE CATTLE POPULATION IS ABOUT 3,000 HEAD, NEARLY ALL IMPORTED FROM AUSTRALIA. A FEW SANTA GERTRUDIS BULLS HAVE BEEN IMPORTED FROM THE STATES.

4. SEVERAL YEARS AGO, PHILIPPINE INTEGRATED MEAT CO. (PIMECO) WAS DELEGATED BY FOOD TERMINAL INC. AS THE SOLE IMPORTER OF ALL QUALITY CUTS OF BEEF. PIMECO HAS A TIE-UP WITH ARMOUR-DIAL. HOWEVER, IN FEBRUARY 1977 INTERNATIONAL HOTELS WERE ALLOWED TO IMPORT THEIR MEAT REQUIREMENTS DIRECTLY, AS PIMECO COULD NOT MEET THEIR QUALITY REQUIREMENTS. PIMECO IS PARTIALLY OWNED BY YULO WHO IN TURN OWNS YULO/KING RANCH.

5. PD 1297 WILL DO LITTLE TO ACHIEVE STATED PURPOSE AND COULD ACTUALLY THWART LOCAL CATTLE PRODUCTION EFFORTS. U.S. BREEDING STOCK, MAINLY BRAHMAN, AND QUALITY BEEF IMPORTS COULD BE SERIOUSLY JEOPARDIZED AND EMBASSY STRONGLY OPPOSED TO IMPLEMENTATION OF THIS DIRECTIVE FOR FOLLOWING REASONS:

A. IT CREATES A NON-TARIFF BARRIER BY ESTABLISHING A PRIVATE MONOPOLY OPERATING UNDER GOVERNMENT AUTHORITY. YULO/KING RANCH WILL BE ABLE TO LIMIT VOLUME OF IMPORTS AND MAY ALSO DISCRIMINATE AS TO SOURCE. FOR EXAMPLE, MOST CATTLE RAISERS FEEL THAT BRAHMAN IS THE BREED MOST LIMITED OFFICIAL USE

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SUITABLE FOR THIS COUNTRY. HOWEVER, KING RANCH PRODUCES SANTA GERTRUDIS.

B. IT INTERJECTS A THIRD PARTY WHICH WILL PROBABLY INCREASE THE COST TO THE IMPORTER. MANY SMALLER RESTAURANTS WHO ARE NOT NOW ALLOWED TO IMPORT BEEF DIRECTLY COMPLAIN THAT PIMECO'S PRICES ARE HIGHER THAN PRICES OF DIRECT IMPORTS, AND SUFFICIENT STOCKS OF CERTAIN CUTS AND QUALITY OF BEEF ASRE NOT MAINTAINED.

C. RESTRICTING IMPORTS AND INCREASING COSTS IS NOT A PRAGMATIC APPROACH TO SOLVING PROBLEMS OF LOCAL CATTLE RAISING INDUSTRY.

D. LOCAL ASSOCIATIONS OF CATTLE RAISERS, HOTELS AND RESTAURANT, AND FOOD PROCESSORS ALSO OPPOSED TO THIS P.D.

6. AGATT CONFERRING WITH ABOVE-MENTIONED ASSOCIATIONS WHICH ARE PREPARING THEIR POSITION PAPERS IN OPPOSITION TO PD 1297. AGATT HAS ALSO WRITTEN TO MINISTER OF AGRICULTURE TANCO AND ESCUDERO, DIRECTOR OF BAI, EXPRESSING HIS CONCERN.

7. SUGGEST WASHINGTON CONTACT APPROPRIATE OFFICIALS IN AUSTRALIAN EMBASSY, KING RANCH (U.S.), ARMOUR-DIAL, AND DISCUSS PROBLEM, PARTICULARLY POSSIBLE ANTI-TRUST IMPLICATIONS FOR KING RANCH AND ARMOUR-DIAL. PLEASE ADVISE EMBASSY OF OUTCOME. COPY OF PD 1297 AND COPIES OF LETTER TO TANCO WILL BE POUCHED. MURPHY

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